ANNUAL REPORT

for the fiscal year
ending March 31, 1990

Nova Scotia Farm Loan Board

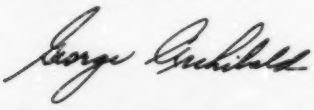
92-06764/

His Honour
The Honourable Lloyd R. Crouse
Lieutenant-Governor of the
Province of Nova Scotia

May It Please Your Honour,

I have the honour to submit the annual report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 1990.

Respectfully submitted,



George Archibald, Minister
Department of Agriculture
& Marketing

The Honourable George Archibald
Minister of Agriculture & Marketing
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

On behalf of the Nova Scotia Farm Loan Board, we have the honour of presenting the 58th annual report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 1990.

As required by Section 11 of the Agriculture and Rural Credit Act, 1967, this report contains a summary of Board activities and the audited financial statement.

Yours truly,

Robert G. Adams
Director

Lawrence Coldwell
Chairman

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THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Lawrence Coldwell
Vice-Chairman	John MacLean
Secretary to the Board	Robert G. Adams
Member	Gordon Creelman
Member	Casey Van De Sande
Member	Bill Swetnam

Principal Officers

Chief Executive Officer	Robert G. Adams, P.Ag., AACI
Loan Supervisor	Ralph Taylor, P.Ag., AACI
Loan Supervisor	David Arenburg, P.Ag.
Accountant	Michael Cassidy
Solicitor to Board	Attorney General
Auditor	Auditor General

Truro Office

Loan Officer	Derrick Jamieson, P.Ag.
Loan Officer	Ian Blenkharn, P.Ag.

Kentville Office

Senior Loan Officer	Allister Marshall, P.Ag.
Loan Officer	Wayne MacLeod, P.Ag.

Antigonish Office

Loan Officer	Vernon Murray, P.Ag., AACI

DIRECTOR'S REPORT

Agriculture is and will remain a vital growth industry in Nova Scotia.

Since its beginning in 1932 as the Nova Scotia Miners' Settlement Board, later the Nova Scotia Land Settlement Board, and as the Nova Scotia Farm Loan Board since 1967, the Board has provided financial counselling and loan assistance for the development of the agriculture sector of Nova Scotia's economy. This role is an important factor for the continued growth, improvement, and development of the agricultural industry in Nova Scotia. The Board's Young Farmers Interest Forgiveness program is an incentive to help beginning farmers to enter the industry.

For many decades the Board has been the primary lender of long-term credit to Nova Scotia's farmers. It continued this role in the past year.

Financial and loan counselling by staff in cooperation with production and farm management specialists of other branches of the Department of Agriculture & Marketing continues as an important service to the farmers of Nova Scotia.

The Board and its staff recognize not only the requirement to provide financial management counselling and funding for farm acquisition, development, and expansion, but also the importance of assisting farmers and their families experiencing the stress of financial failure, whatever the cause.

Some farm families continued to experience financial difficulties and there were several farm failures in 1989.

The impact of pelt prices well below the cost of production in the mink and fox fur industries continued to affect these sectors in 1989–90. There is little optimism for any significant improvement in the new year. The Board is cognizant of the need to help clients in these sectors to recover if possible. As has been its policy, the Board is committed to working diligently and prudently with those who will not recover financially.

In 1989, the hog industry continued to be affected by fluctuations in the market price for pork. There was a general strengthening of hog prices late in calendar year 1989, resulting in interest in some limited

expansion by established producers. There was some stability in the Board's hog accounts in 1989. At March 31, 1989, approximately 2.2 per cent of the Board's capital invested in this sector was in arrears. Most of the hog accounts in arrears could recover with moderate strengthening and stability in the market price for pork relative to costs.

The interest rates on loans from the Board remained unchanged in 1989 at 8 per cent on the first $150,000 and 10 per cent on the next $150,000. In contrast, Canadian prime interest was approximately 13.5 per cent at March 1989 up from 9.75 per cent the previous March.

In 1988, Nova Scotia farmers had total indebtedness of approximately $233,568,000. This is an increase of approximately 9 per cent over 1987. It has more than doubled in the past 10 years.

Nova Scotia had 2,600 commercial farms according to recent census figures, of which approximately 56 per cent were financed with the Nova Scotia Farm Loan Board.

New technology and increasing costs of building construction continued to be a factor increasing the capitalization of many farms.

Rising market interest rates and increased costs of construction were the primary factors in the Board's 1989–90 budget of $12 million being fully committed prior to the end of the fiscal year. An additional appropriation of $2 million approved by government was also committed to Nova Scotia farmers prior to year end; approximately $1.75 million in loan requests were tabled for consideration and approval in the fiscal year 1990–91.

At year end, payments in arrears totalled 2.1 per cent of the Board's loan portfolio. This was an increase of $125,000 over 1989. The increase is not unreasonable considering the difficulties in the fur, vegetable, tree fruit, and hog sectors. These sectors contributed to a $262,000 decline in farm cash receipts in 1989 to $311,063,000 from 1988's $311,325,000.

In the year, 62 Commercial and Part Time farmer category loans were approved for a total of $7,010,044. The number of new loans in these categories was unchanged from the previous year.

Additional loans totalling $6,616,088 in 140 accounts were approved, an increase of two accounts from 1988 approvals. Loans

considered by the Board but not approved declined by approximately 16 per cent to 32 loans.

Under the Land Purchase and Lease Program nine properties were purchased, totalling $303,651. Fifteen lessees exercised their purchase option under this program.

Requests under the Timber Loan Board were identical to last year with four loans approved, totalling $286,800.

The Board administers the Establishment of Young Farmers Interest Forgiveness program. It is available to a new entrant who is under 35 years of age and who is buying a commercial farm for the first time. The maximum available under this program is $15,000 per year. In 1989, 32 new applicants qualified, the same as 1988. The $321,915 provided under the program was significant assistance to these people.

Commercial farmers financed with the Nova Scotia Farm Loan Board, the Farm Credit Corporation, or Veteran's Land Act received an interest subsidy of 2.5 per cent on their loan to a maximum loan of $50,000. The amount paid to 1,169 borrowers totalled $1,141,893.

The Nova Scotia Farm Loan Board is committed to work with the farmers of Nova Scotia as they strive to be more efficient, to meet competition from whatever source, to be in the forefront of adoption of new technology, and to continue to be environmentally aware, through the provision of financial counselling and loan and interest rate assistance.

FARM LOAN BOARD PROGRAMS

LENDING PROGRAMS

The Nova Scotia Farm Loan Board provides direct loans to resident Nova Scotian farmers operating under single proprietorships, partnerships, or companies. Loans may be approved in one of three categories: Part Time, Commercial, or Timber.

Part Time

Loans of up to $45,000 are available to Part Time farmers at 10 per cent interest. A significant Part Time farm program commensurate with the size of the loan is a primary requirement. The maximum term of the loan is 20 years.

Commercial

Loans to Commercial farmers of up to $300,000 are available at 8 per cent interest on the first $150,000 and 10 per cent on the next $150,000. Loans in excess of $300,000 are available at prevailing interest rates with approval of the Board and the Governor-in-Council. The maximum term is 30 years, although most loans are for 20-year periods. Loans are primarily for farm purchase or capital development.

Commercial farms must achieve at least $10,000 in on-farm production or 50 per cent of the family's income from the farm. Loans must be financially sound units capable of supporting the farm family and servicing the farm debt from the farm program.

Timber

The Nova Scotia Farm Loan Board acts as the Timber Loan Board to provide loans to mill operators for timber land acquisitions. Loans are available under the same terms as commercial farm loans.

LAND PURCHASE AND LEASE PROGRAM

The Farm Loan Board administers a program of land acquisition and leasing of agricultural lands to farmers. Land acquisition proposals are

approved by the Land Purchase and Lease Committee, based on the appraised value of the land and other requirements outlined in the program. Lands acquired are available for lease with an option to purchase. Lease fees are 8 per cent of the initial acquisition costs plus taxes and fire insurance if applicable. The option to purchase may be exercised under specific conditions at the end of the five-year lease term. Options to renew leases are also available.

DIRECT ASSISTANCE PROGRAMS

Two financial assistance programs are administered by the Board:

Young Farmers Interest Forgiveness Policy

The Young Farmers Interest Forgiveness Policy is designed to encourage young farmers to acquire and develop a commercial farm. Assistance is based on the amount of interest charged on initial principal borrowings from the Nova Scotia Farm Loan Board or the Farm Credit Corporation for a two-year period. The maximum assistance is $30,000 over two years at a maximum of $15,000 per year.

The funds approved by the Board may be used to:

- provide equity contributions to assist in the purchase of a farm
- delay or reduce payments based on cash flow and/or
- provide capital improvement projects to assist in farm development, depending on arrangements approved by the Board when the loan decision is made.

Interest Subsidy Policy

The Interest Subsidy Policy provides for direct assistance to reduce interest payments by farmers. Assistance is based on 2.5 per cent of principal balance outstanding with the Farm Loan Board, the Farm Credit Corporation, or the Veteran's Land Act. The maximum assistance available is $1,250 per year per farm.

INDIRECT ASSISTANCE PROGRAMS

A counselling service is provided to evaluate farm development proposals or to review farm financial situations on existing operations. The establishment of effective lines of communication with the farming clientele allows for a comprehensive analysis of financial projections and proposals. An advisory service is provided to farms in financial difficulty, including a review of historical conditions, an evaluation of the current situation, and projection of changes required for financial improvement. These services are provided in close cooperation with the Farm Management Division and commodity specialist of the Department of Agriculture and Marketing.

BOARD OPERATION OVERVIEW

DIRECT LOANS

During its 58th year of operations, the Board met on ten occasions, encompassing 21 days. Loan activity decreased by approximately 3 per cent amounting to $13,626,132.72 with a total of 202 loans approved and accepted for the fiscal year 1989–90.

In addition to its loan function to agriculture and owners of forest product mills, staff of the Farm Loan Board administered policies of interest reduction and assistance to new farmers.

The staff of the Board purchased and administered properties for lease to qualified individuals at the request of the Land Purchase and Lease Committee. The administration of properties purchased under ARDA Project 22015 in the period 1965–1971 was a continuing responsibility.

During the year under review, the Board approved and farmers accepted 62 new loans totalling $7,010,044 of which 53 were to Commercial operations and 9 to Part Time farmers.

The Board also approved and had accepted 140 additional loans to existing Commercial farmers totalling $6,616,088. Additional loans were primarily for building construction, renovations, and additional land purchases.

Applications for 32 loans in the amount of $2,977,650 were rejected due to the inability of the applicants to meet the requirements of the Board. Four applications totalling $233,800 approved by the Board were cancelled by the borrower prior to loan completion.

The total number of loans in effect decreased to 1,427 in 1989–90 from 1,472 the year before. This decrease reflected in part a continued consolidation as more partnerships and family farm companies are being established and as existing farmers enlarge their units by bringing children into an expanded farm unit.

Total payments on loans decreased to $20,743,532, made up of $9,939,243 principal and $10,804,289 in interest. An additional $508,024 was received in insurance premiums. Arrears continued to be a

problem, although payments in arrears decreased from $2.9 million to $2.6 million, reflecting extensive efforts by staff in working with farms in financial difficulty.

TIMBER LOANS

The Board approved four applications for loans in the amount of $286,800 to assist owners of forest product mills in the purchase of forest land. Fifty-one loans were outstanding in 1989–90. The total outstanding at the end of the year was $1,188,606.

Staff of the Farm Loan Board were responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans, and keeping loan records. Personnel of the Department of Lands and Forests carry out loan appraisals and prepare reports and recommendations. In addition, they supervise requests to cut forest products from land held as security for loans and establish stumpage rates for material removed.

FARM CONSOLIDATION AND LAND USE

In the period 1965 to 1970, under the terms and conditions of a joint Government of Canada–Province of Nova Scotia ARDA project, properties were purchased for leasing to enlarge commercial farm operations. The initial lease was for a term of five years, with the lessee having the option to purchase or renew the lease for a further five-year term. The administration of properties under lease is a continuing responsibility of the Board.

The Board issued 104 rental statements in October 1989.

The balance outstanding on March 31, 1990, under this program was $338,276. Ten lessees exercised their option to purchase leased property in 1989–90.

LAND PURCHASE AND LEASE

The Nova Scotia Department of Agriculture and Marketing continued a program of land purchase and leasing, which was introduced in 1974–75. The Farm Loan Board, at the request of the Land Purchase

and Lease Committee, carries out the administrative details involved in the purchase and leasing of these properties. The maximum amount available for the acquisition of property for any farmer is $100,000.

Nine properties were purchased at a cost of $303,651 for the year in review. In total, 325 properties are currently held under the program. The current outstanding balance on the leased properties is $9,166,746.

INTEREST SUBSIDY PROGRAM

The Board continued to maintain responsibility for the administration of the Interest Subsidy Policy of the Nova Scotia Department of Agriculture and Marketing. During the year, 1,169 farmers were deemed eligible for $1,141,893 in assistance, for an average payment per farmer of $976.81.

BENEFIT TO YOUNG STARTING FARMERS

The policy of granting two years' Interest Forgiveness to beginning farmers, introduced by the Department of Agriculture and Marketing in 1974–75, was continued in 1989–90.

Benefits in the amount of $321,915 were made to 32 applicants who qualified in their first year of eligibility. As well, there were 30 qualified applicants in their second year of eligibility, and the benefit totalled $292,012, for a total benefit during the 1989–90 fiscal year of $613,927.

LIFE INSURANCE

The Farm Loan Board administers a life and disability group insurance for farmers. The policy is held with the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1989–90 was $111,230,012.

During the year two claims were approved by Mutual Life for total payments of $45,568.

BOARD STATISTICAL OVERVIEW

TABLE 1

NUMBER OF LOANS APPROVED BY COUNTY, 1989–90

County	New Loans				Additional Loans				Total Loans	
	#	Commercial	#	Part Time	#	Commercial	#	Part Time	#	Total
Annapolis	4	$ 422,300.00	1	$ 45,000.00	6	$ 264,175.00	0	---------	11	$ 731,475.00
Antigonish	3	534,700.00	0	---------	7	256,700.00	0	---------	10	791,400.00
Cape Breton	2	392,200.00	0	---------	1	40,000.00	0	---------	3	432,200.00
Colchester	10	1,056,000.00	3	131,600.00	22	949,300.00	0	---------	35	2,136,900.00
Cumberland	8	564,700.00	2	83,600.00	25	1,089,776.734	0	---------	35	1,738,076.73
Digby	0	---------	0	---------	2	84,000.00	0	---------	2	84,000.00
Guysborough	0	---------	1	34,500.00	3	69,300.00	0	---------	4	103,800.00
Halifax	1	45,000.00	0	---------	6	226,250.00	0	---------	7	271,250.00
Hants	5	985,34.12	0	---------	17	1,022,474.99	0	---------	22	2,007,819.11
Inverness	3	332,100.00	0	---------	10	406,764.37	0	---------	13	738,864.37
Kings	11	1,903,700.00	0	---------	25	1,587,166.19	0	---------	36	3,490,866.19
Lunenburg	4	333, 300.00	0	---------	1	18,250.00	0	---------	5	351,550.00
Pictou	2	56,000.00	2	90,000.00	12	537,931.32	0	---------	16	683,931.32
Queens	0	---------	0	---------	0	---------	0	---------	0	---------
Richmond	0	---------	0	---------	0	---------	0	---------	0	---------
Shelburne	0	---------	0	---------	0	---------	0	---------	0	---------
Victoria	0	---------	0	---------	1	20,000.00	0	---------	1	20,000.00
Yarmouth	0	---------	0	---------	2	44,000.00	0	---------	2	44,000.00
Total Loans	**53**	**$6,625,344.12**	**9**	**$384,700**	**140**	**$6,616,088.80**	**0**	---------	**202**	**$13,626,132.72**
Timber Loan Board									**4**	**$286,800.00**
Total Loans and Timber Loan Board									**206**	**$13,912,932.72**

TABLE 2

NUMBER OF LOANS APPROVED, BY PURPOSE, 1989–90

Number of New Loans	62	$7,010,044.12
Number of Additional Loans	140	$6,616,088.60
Number of Timber Loans	4	$ 286,800.00

Purpose	**Amount**	**% of Total***
FARM LOANS		
New Loans		
Beef	557,200.00	4
Dairy	3,732,844.12	27
Hog	346,000.00	3
Poultry	772,700.00	6
Fruit/Vegetables	1,546,900.00	11
Fur	188,300.00	1
Additional Loans		
Other Livestock	79,500.00	1
Other Farm Buildings	3,333,426.23	24
Silo	248,449.99	2
Manure Storage	166,500.00	1
Land Purchase	1,428,300.00	10
Machine/Equipment	65,000.00	1
Quota	411,000.00	3
Indebtedness	750,012.38	6
Timber Loans	**286,800.00**	
Total	**$13,912,932.72**	**100%**

*These percentages are calculated on the total value of farm loans, $13,626,132.72, which excludes the amount of $286,800 that was paid in Timber Loans.

TABLE 3

OPERATIONS OF THE BOARD

1988–89 AND 1989–90

Loans

	1989–90		1988–89	
Description	**#**	**Amount**	**#**	**Amount**
Loan Accounts	1,427	131,159,573	1,472	125,927,433
ARDA Accounts	90	338,276	101	389,967
Land Bank Accounts	325	9,166,746	337	9,477,671
Timber Loan Accounts	51	1,188,606	50	1,090,896
Loans Approved	202	13,626,133	200	14,011,631
Loans Paid Off During Year	107		96	
ARDA Leases Issued	104		120	
ARDA Properties Purchased	10		18	
Land Bank Leases Issued	344	337		
Land Bank Properties Purchased	9	303,651	12	265,866
Timber Loan Board New Approvals	4	286,800	4	195,250
Farm Loans Rejected	32	2,977,650	38	4,162,700
Farm Loans Cancelled	4	233,800	10	448,750

Receipts

Description	**Amount**	**Amount**
Principal Payments	9,939,243	10,853,256
Interest Payments	10,804,289	10,354,212
Life Insurance	508,024	491,048
Rental & Miscellaneous Receipts	2,617,906	5,244,804
Arrears of Payments, March 31	2,757,496	2,632,122

Insurance

Description	#	$ Amount	#	$ Amount
Death and Disability Claims	2		5	
Amount Paid		45,568		237,209
Total Value of Life Insurance		**111,230,012**		**109,876,731**

Board

Description	#	$ Amount	#	$ Amount
Number of Board Meetings	10		9	
Number of Days	21		24	

Interest Subsidy Program

Description	#	$ Amount	#	$ Amount
Farm Loan Board	1,085	1,089,959	1,132	1,130,790.10
Farm Credit Corporation	80	51,547	86	61,010.74
Veteran's Land Act	4	387	5	1,325.53
Total	**1,169**	**1,141,893**	**1,223**	**1,193,136.37**

Establishing Farmer Program

Description	#	$ Amount	#	$ Amount
Farm Loan Board, 1st Year	32	321,915	32	326,771.53
Farm Loan Board, 2nd Year	30	292,012	33	313,783.47
Farm Credit Corporation, 1st Year	0		0	
Farm Credit Corporation, 2nd Year	0		0	
Total	**62**	**613,927**	**65**	**640,555**

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

FINANCIAL STATEMENTS

MARCH 31, 1990

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AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and

To the Chairman and Members of the
Nova Scotia Farm Loan Board

I have examined the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1990. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this balance sheet presents fairly the financial position of the Nova Scotia Farm Loan Board as at March 31, 1990, in accordance with the accounting policies set out in Note 2 of the financial statements, applied on a basis consistent with that of the preceding year.

O.P. Cormier, F.C.A.
Auditor General

Halifax, Nova Scotia
May 16, 1990

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

BALANCE SHEET

AS AT MARCH 31, 1990

Assets

	1990	1989
Accounts receivable	$ 100,665	$ 109,172
Loans receivable (Note 3)	128,748,180	123,752,887
Real estate (Note 4)	10,318,899	11,688,686
	$139,167,744	**$135,550,745**

Liabilities

Reserve for future premium increase in borrowers' group life and disability insurance	$ 768,432	$ 681,703
Advance from Department of Finance	144,489,312	138,147,992
Less: Allowance for doubtful accounts	4,090,000	3,278,950
Net Advance	138,399,312	134,869,042
	$139,167,744	$135,550,745

APPROVED ON BEHALF OF THE BOARD

Chairman

Member

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

NOTES TO BALANCE SHEET

MARCH 31, 1990

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans and leases are included in the expenditures of the Department of Agriculture and Marketing.

Those amounts are not reflected in the attached balance sheet, nor is accrued loan interest receivable.

3. Loans Receivable

	1990	1989
Farm loans	$131,159,574	$125,406,279
Timber loans	1,188,606	1,090,896
	132,348,180	**126,497,175**
Less: Allowance for doubtful accounts		
Farm Loan Board accounts	3,600,000	2,744,288
	$128,748,180	**$123,752,887**

4. Real Estate — at cost

	1990	1989
Real estate being leased or held	$ 1,445,980	$ 2,528,519
Less: Allowance for doubtful accounts		
Real Estate accounts	**490,000**	**534,662**
	955,980	1,993,857
Land bank	9,166,746	9,477,671
Land consolidation		
Agricultural Rural Development Agreement (ARDA)	338,276	389,967
Less: Federal Government share of cost of ARDA properties	213,729	244,435
	124,547	145,532
Community pastures	71,626	71,626
	$10,318,899	**$11,688,686**

5. Commitments

As at March 31, 1990, the Board had authorized loans of $1,175,443 (1989 — $3,785,141) which had not been disbursed.

6. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

CONTINUITY OF LOANS RECEIVABLE

FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
Loans outstanding, beginning of year	$126,497,175	$129,876,485
Add: Advances made		
Farm loans	15,858,363	13,013,289
Timber loans	253,667	124,196
	16,112,030	**13,137,485**
Deduct: Payments received		
Farm loans	9,939,243	10,853,256
Timber loans	155,956	114,106
Write off Nova Scotia Pork Price Stabilization Board advances	—	4,221,050
Transfers from farm loans to real estate	165,826	1,328,383
	10,261,025	16,516,795
Loans outstanding, end of year	132,348,180	126,497,175
Allowance for doubtful accounts		
Farm Loan Board accounts	3,600,000	2,744,288
Loans receivable, net of allowance	$128,748,180	$123,752,887